

SECRET

OSA-1487-63

MEMORANDUM FOR: The Comptroller

SUBJECT : Payment of Contractor Invoices by Bank Wire Transfer

1. The Contracts Division, OSA during negotiations with contractors, stresses the streamlined approach that we utilize in the processing and payment of invoices, reducing administrative costs and paper work to a minimum. This, as you are aware, has been achieved by the establishment of a covert Contracts Division and a Budget & Finance Officer with Certification Authority within the Office of Special Activities. Repeatedly we have been told by contractors that they reduce their proposals by 25 to 30 per cent when dealing with OSA Contracts Division as compared to their other conventional types of Government work. One of our points in negotiating reduced contract costs is the statement "that invoices, if in order, are paid within ten (10) days after their receipt in OSA." The fast return of funds of course reduces the number of short term loans which companies are required to obtain from time to time. Since interest on these loans is not reimbursable under Government contracts and normally is absorbed by the company from profits, this "fast payment" factor is helpful in negotiation of a profit amount.

2. Due to the increased work load with Pratt & Whitney and Lockheed in support of two new major Projects (approximately [redacted] by 30 June 1963 in expenditures alone) the fast payment of claims is even more urgent. In addition to the [redacted] mentioned above, disbursements to PW and LAC in FY 1963 will total approximately [redacted]. Due to the work load of the Projects which are administered by OSA and the numerous other Projects which are assigned to OSA for contractual and financial administration, we are finding it more difficult to meet previously attained "fast payment" standards. Contributing to this is the time consumed in obtaining U. S. Treasury checks. This at times takes up to five days or more, especially if requests for checks reach the Fiscal Division while they are in the process of issuing payroll checks.

3. We have explored the possibility of making payment, initially to our two principal contractors, by means of Bank Wire Transfer. Payment by this method would reach the contractor within approximately twenty-four hours after the invoice has been processed for payment. The contractors have responded to this proposal with overwhelming enthusiasm.

SECRET

X

2011

25/11/61

OSA-1487-63

Page 2 of 3

4. Payment by this method would be as follows:

a. Requests for payments would be scheduled by contractor and delivered to the Banking Section, Monetary Branch each afternoon by approximately 1600 hours.

b. The Banking Section would, on the following day, cause to be transmitted by Bank Wire to the contractor's bank account the total amount scheduled to each contractor. These remittances would reach the contractor's bank in approximately two hours after being initiated. A transmittal number would accompany each bank transfer.

c. The Budget & Finance Branch, OSA will advise the contractor by cable the amount of each deposit, the transmittal number, and the make up of the deposit, i.e., identification of contracts and invoices being paid.

d. The recipient bank will notify the contractor immediately upon receipt of the deposit. The contractor will notify OSA by cable should the deposit not arrive within a few hours after receipt of our cable.

e. On the last day of each month, the contractor will acknowledge receipt of all deposits received during the month.

5. We have explored the security and cover aspects of this procedure from both ends and we feel that the adoption of this procedure would not endanger the security and cover of the Projects involved. After a trial period with PW and LAC, we may adopt this procedure with other contractors if no difficulties are encountered.

6. With the cooperation of your good offices, I plan to initiate this procedure on approximately 1 April 1963.

JAMES A. CUNNINGHAM, JR.
Deputy Assistant Director
OSA-DD/E

Page Denied